

Gas and electricity suppliers,
consumers and their
representatives, other interested
parties

08 March 2016

Open letter – guidance on the application of decimal places to the unit rate and standing charge in the Tariff Information Label and consumer bills

This open letter clarifies the requirements for displaying unit rates and standing charges on Tariff Information Labels (“TILs”) provided to consumers. It also addresses recent public concern that some suppliers are quoting unit rates and standing charges in their TILs to a different precision than in consumer bills. This has in some situations resulted in small, but nevertheless important, discrepancies between amounts consumers are expecting to pay and amounts they are actually charged.

Requirement to treat customers fairly

Our principal objective is to protect the interest of existing and future energy consumers. We have introduced the Standards of Conduct (SOC) which require suppliers (including their representatives) to treat domestic energy consumers fairly.¹ The SOC require suppliers and their representatives to behave and carry out their activities in a fair, honest, transparent, appropriate and professional manner. In addition, suppliers and their representatives must provide information which is complete, accurate and not misleading (in terms of the information provided or omitted).

Clarification on application of decimal places in the TIL

We have not introduced any restrictions on the number of decimal places a supplier can apply when presenting the unit rate or the standing charge in the TIL. We introduced the TIL in March 2014 to bring together the key facts and figures about a tariff including the unit rate and the standing charge, in a standard format to help consumers make comparisons. The only parameter that we require suppliers to present to two decimal places is the Tariff Comparison Rate (TCR). We introduced the TCR alongside the TIL and a number of other information requirements to help consumers compare tariffs. The TCR is a comparison tool analogous to an APR figure for financial services to help consumers make easy, high-level comparisons.²

Our analysis

We are aware of public concern that a small number of consumers may be receiving bills which have been calculated using marginally higher unit rate and/or standing charge amounts than those quoted on the TIL. We understand that the difference may be resulting from the way suppliers are applying decimal places when feeding the tariff information into the TIL. We have undertaken a high-level assessment using information from a sample of bills submitted to the Authority by suppliers as part of the machine-readable optical labels (Quick Response codes) information request on 26 November 2015.

¹ The Standards of Conduct came into force on 26 August 2013.

² The application of the TCR also differs from that of the bill in that the amount a consumer should pay for their energy use is based on their actual consumption rather than on the typical consumption figure which is used in the TCR.

Our results suggest that there are a few instances where the consumer bill would differ slightly, by a figure significantly less than £1 on average per year, if the unit rate and standing charge displayed in the TIL are applied in calculating the bill. We also note that some consumers are paying slightly less than what they would be expected to pay based on the figure on the TIL.

We expect energy suppliers to present consumers with accurate tariff information before a consumer enters into a contract. **The information provided in the TIL should not result in an underestimate of the consumer's bill.** Also, the information on the consumer's bill should reflect the information the consumer is provided at the time they entered into a contract.

We are issuing a mandatory information request to all suppliers requiring them to identify circumstances where calculations using the information in the TIL could result in an estimated bill value which is lower than the actual amount subsequently billed. Where this is the case, we have requested suppliers to provide an explanation to Ofgem of the actions they will take to ensure that consumers are being treated fairly as required by the Standards of Conduct and ensure that going forward any information provided in the TIL does not result in an underestimation of the consumer's bill.

If you would like to discuss any aspects of this matter, please contact my colleague Jibirila Leinyuy on 0207 901 7000 or Jibirila.Leinyuy@ofgem.gov.uk.

Yours faithfully

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